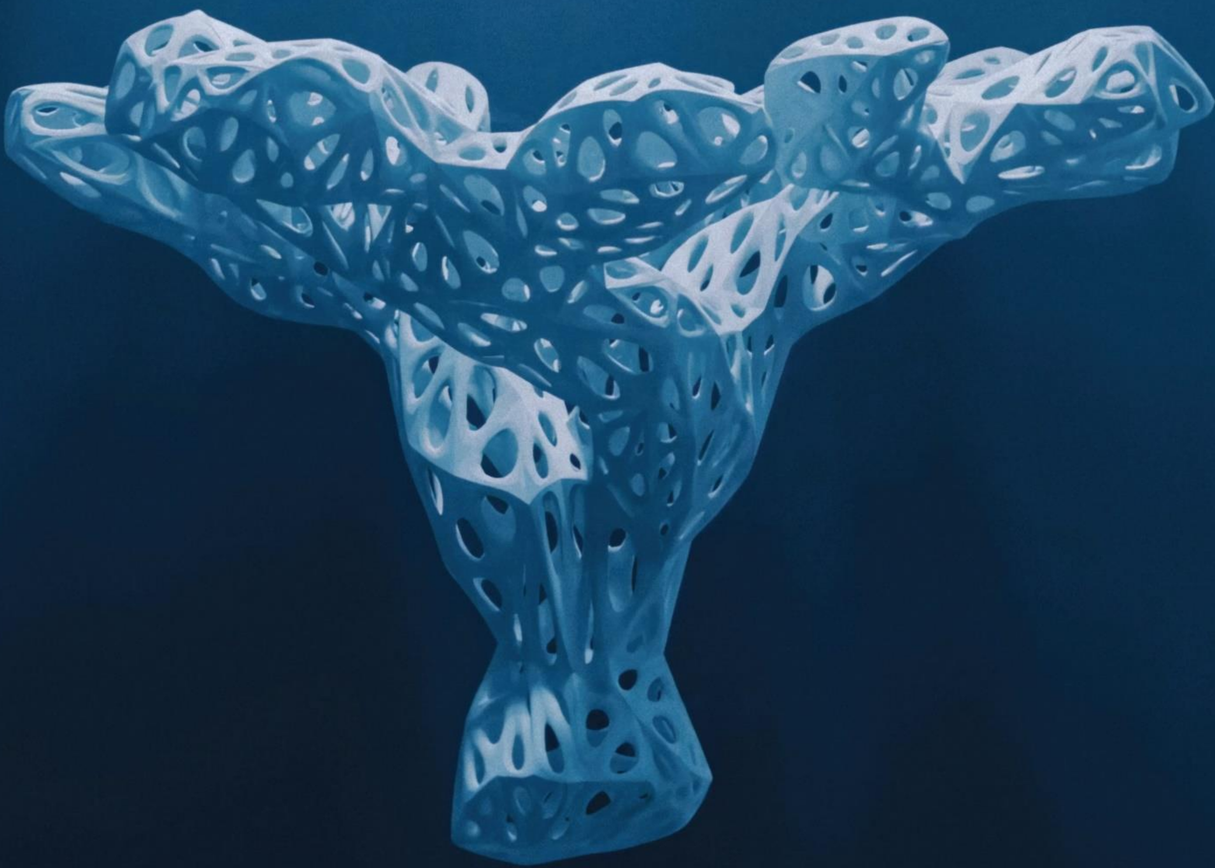
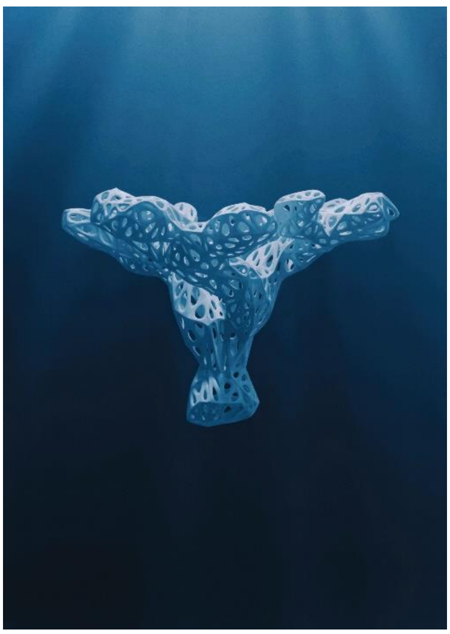
CBH Compagnie Bancaire Helvetique



BASEL III PILLAR 3 DISCLOSURES – 31.12.2023

CREATIVITY WITHIN EXCELLENCE



‘epipelagic memory’ Series: Beneath the Neural Waves 2021 - Artist: Entangled Others

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Introduction

The aim of this document is to provide investors, analysts, rating agencies and regulatory bodies with in-depth information on the risk management of the CBH Compagnie Bancaire Helvétique SA Group (hereinafter “CBH”).

It provides information in particular on the adequacy of the Bank’s capital, the risk assessment methods and the level of risks incurred. This document has been drawn up in accordance with the publication requirements of Pillar 3 of the Basel III Framework and of the Swiss Financial Market Supervisory Authority (FINMA) Circular 2016/1 “Publication – banks”.

The CBH Group has limited the information provided in the report to the quantitative and qualitative information considered relevant.

Consolidation scope

The consolidated financial statements of the CBH Group include the financial statements of the companies controlled directly or indirectly by the Group and those over which the Group exerts significant influence. These companies are fully consolidated.

The companies forming part of the scope of consolidation are described in CBH Group’s Annual Report.

The companies taken into account in calculating capital requirements are the same as those forming part of the scope for establishing the consolidated financial statements.

There are no restrictions that might prevent transfers of money or capital within the Group.

Publication requirements related to equity and liquidity

Key metrics (KM1)

(in 1'000 CHF)	*31.12.2023*	*31.12.2022*
Available capital		
Common Equity Tier 1 (CET1)	350 575	277 725
Tier 1	350 575	277 725
Total capital	350 575	277 725
Risk-weighted assets		
Total risk-weighted assets (RWA)	814 517	804 269
Minimum capital requirement	65 161	64 342
Risk-based capital ratios as a percentage of RWA		
Common Equity Tier 1 ratio (%)	43,04%	34,53%
Tier 1 ratio (%)	43,04%	34,53%
Total capital ratio (%)	43,04%	34,53%
Additional CET1 buffer requirements as a percentage of RWA		
Capital conservation buffer requirements (2.5% from 2019)	2,50%	2,50%
Total of Group CET1 specific buffer requirements	2,50%	2,50%
CET1 available after meeting the Group's minimum capital requirements	35,04%	26,53%
Target capital ratios according to annex 8 of the CAO as a percentage of RWA		
Capital buffer accordance with annex 8 CAO	3,20%	3,20%
Countercyclical capital buffer (art. 44 and 44a CAO)	0,08%	0,02%
Target ratio in CET1 (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	7,48%	7,42%
Target ratio in T1 (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	9,08%	9,02%
Overall target capital ratio (in%) according to annex 8 of the CAO plus countercyclical buffer according to art. 44 and 44a CAO	11,28%	11,22%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure	4 682 669	3 978 764
Basel III leverage ratio (%)	7,49%	6,98%
Liquidity Coverage Ratio		
Total HQLA	2 761 102	1 411 321
Total net cash outflow	367 219	403 915
LCR ratio (%)	751,90%	349,41%

Publication requirements related to equity and liquidity

Overview of risk weighted assets (OV1)

(in 1'000 CHF)		*31.12.2023*	*31.12.2022*	*31.12.2023*
	Methodology	*RWA*	*RWA*	*Minimum Capital Requirement*
Credit risk	*Standard*	548 792	591 209	43 903
Market risk	*Standard*	16 630	17 540	1 330
of which currencies and gold				281
of which commodities (precious metal)				1 049
Operational risk	*Basic indicator*	247 788	194 162	19 823
Amounts below treshold for deductions (with 250% to be risk weighted positions)	–	1 307	1 358	105
Total		**814 517**	**804 269**	**65 161**

CBH's risk profile derives mainly from credit and market risk (69.4% of total weighted assets) and operational risks (basic indicator approach) contribute for 30.4% of total weighted assets.

Total minimum regulatory capital funds required amount to CHF 65 million, compared with eligible capital of CHF 350.6 million.

Liquidity risk

Strategy and procedures

The principles of liquidity risk management are defined by the Board of Directors. The risk profile is expressed by various indicators, including the short-term liquidity ratio (LCR). The target risk profile is reviewed annually by General Management and validated by the Board of Directors.

Structure and organisation

General Management delegates to the Treasury Department the responsibility for managing liquidity risk in accordance with the principles defined by the Board of Directors. The evolution of the liquidity risk is monitored daily by this Department and presented every quarter to General Management and the Audit Committee.

The Treasury Department is in charge of the operational management of liquidity risk and decides on ALM transactions such as interbank placements or the acquisition of non-current financial assets.

Risk assessment

Liquidity risk indicators are calculated and presented in accordance with the following two approaches:

- The static approach, consisting in calculating the risk indicators at any given date. It allows the immediate level of risk to be assessed and the evolution to be followed from a historical point of view;
- The dynamic approach, based on the simulation of how balance sheet items would evolve over the next three years under three scenarios reflecting possible trends in commercial activity and thus allowing us to anticipate the evolution of the level of risk.

The risk indicators are rounded out with the performance of stress tests quantifying the impact of various crisis scenarios on the liquidity position at any given time horizon. Analysis of the results of these stress tests serves as the starting point for the calibration of the target risk profile.

Structure and refinancing

Cash management is entrusted to the Treasury department. In this context, customer assets not invested are placed prudently, complying with such constraints as have been clearly expressed.

Emergency plan

The Group has defined an emergency plan providing for the implementation of strategies in the event of a liquidity crunch. The emergency plan is based on the following elements:

- a system of detection allowing the level of risk to be assessed in reference to specific and systemic risk indicators;
- escalation rules specifying the levels of hierarchy to be alerted depending on how the situation evolves;
- an action plan and the responsibilities for managing a liquidity crisis.

The emergency plan is reviewed annually.

Short-term liquidity ratio (LCR)

The LCR is an international regulatory liquidity standard defined by the Basel Committee and transposed into Swiss law by the Order on Bank Liquidity (“OLiq”) which came into force on 1 January 2015. The LCR ensures that a bank has sufficient liquidity to face a liquidity stress over a period of 30 days. The LCR is calculated as the ratio of available high-quality liquid assets (HQLA) to potential net outflows of liquidity at a 30-day horizon. Potential net outflows of liquidity result from the difference between outflows of liquidity (e.g. from withdrawals of sight deposits, non-renewal of borrowings with maturities shorter than 30 days) and inflows of liquidity such as from reimbursement of loans and receivables with maturities at less than 30 days, in a situation of stress. The minimum LCR threshold is set at 100% since 2019.

Publication requirements related to credit risk

Credit risk : Credit quality of assets (CR1)

(in 1'000 CHF)	31.12.2023 Gross carrying values of			
	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
Loans (excluding debt securities)	570	1 793 227	570	1 793 227
Debt securities	–	2 266 848	–	2 266 848
Off-balance sheet exposures	–	52 432	–	52 432
Total 31.12.2023	**570**	**4 112 507**	**570**	**4 112 507**
Total 31.12.2022	648	3 784 657	648	3 784 657

Credit risk: Changes in stock of defaulted loans and debt securities (CR2)

(in 1'000 CHF)	*31.12.2023*
Defaulted loans and debt securities at 31.12.2022	648
Loans and debt securities that have defaulted since the last reporting period	5
Returned to non-defaulted status	–
Amounts written off	-11
Other changes (+/-)	-72
Defaulted loans and debt securities at 31.12.2023	**570**

In the year under review, the Group did not record any significant changes in stock of defaulted loans and debt securities.

Publication requirements related to credit risk

Credit risk: additional information of credit quality of the assets (CRB)

(in 1'000 CHF)

Exposure by region

	Switzerland	Europe	Rest of the world	Total
Loans	426 449	739 244	628 104	1 793 797
Of which: due from banks	*126 289*	*79 839*	*27 374*	*233 502*
due from customers	*178 763*	*329 343*	*563 868*	*1 071 974*
mortgages	*121 397*	*330 062*	*36 862*	*488 321*
Debt securities	*79 656*	1 860 622	326 570	2 266 848
Total	**506 105**	**2 599 866**	**954 674**	**4 060 645**
Of which: Impaired loans past due	95	–	475	570
Value adjustments of impaired positions	*95*	–	*475*	*570*

Exposure by activity sectors

	Central governments and Central banks	Institutions	Banks and Stockbrokers	Corporates	Retail	Other exposures	Total
Loans	90 646	23 792	261 820	809 400	591 177	16 962	1 793 797
Of which: due from banks	–	*22 366*	*211 136*	–	–	–	*233 502*
due from customers	*44 171*	*1 186*	*47 555*	*640 337*	*323 680*	*15 045*	*1 071 974*
mortgages	*46 475*	*240*	*3 129*	*169 063*	*267 497*	*1 917*	*488 321*
Debt securities	2 266 848	–	–	–	–	–	2 266 848
Total	**2 357 494**	**23 792**	**261 820**	**809 400**	**591 177**	**16 962**	**4 060 645**
Of which: Impaired loans past due	–	–	–	–	*570*	–	*570*
Value adjustments of impaired positions	–	–	–	–	*570*	–	*570*

Exposure by duration

	At sight	Cancellable	Due			Total
			Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	
Loans	223 112	456 095	736 061	378 529	–	1 793 797
Of which: due from banks	*223 112*	*10 390*	–	–	–	*233 502*
due from customers	–	*445 705*	*398 197*	*228 072*	–	*1 071 974*
mortgages	–	–	*337 864*	*150 457*	–	*488 321*
Debt securities	–	–	1 628 160	602 639	36 049	2 266 848
Total	**223 112**	**456 095**	**2 364 221**	**981 168**	**36 049**	**4 060 645**

Publication requirements related to credit risk

Credit risk: Credit risk mitigation techniques – overview (CR3)

(in 1'000 CHF)	*31.12.2023*		
	Exposures unsecured: carrying amount	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees or credit derivatives, of which: secured amount
Loans (including debt securities)	2 687 192	1 322 434	51 019
Off-balance sheet	39 821	12 611	–
Total 31.12.2023	**2 727 013**	**1 335 045**	**51 019**
Of which defaulted	*570*	–	–
Total 31.12.2022	2 128 125	1 602 274	54 906

Credit risk: exposures by asset classes and risk weights under the standardized approach (CR5)

(in 1'000 CHF)

Asset classes / Risk weight	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
Sovereigns and their central banks	2 779 882	–	–	–	–	–	–	–	2 779 882
Banks and securities traders	–	210 867	–	124	–	28 925	0	–	239 916
Public-sector entities and multilateral developments banks	0	23 804	–	–	–	–	–	–	23 804
Corporate	–	–	95 018	–	167	138 693	1	–	233 879
Retail	–	–	205 788	–	13 227	170 781	–	–	389 796
Equity securities	–	–	–	–	–	–	10 122	523	10 645
Other assets	1 846	–	–	–	–	24 866	-	571	27 283
Total 31.12.2023	**2 781 728**	**234 671**	**300 806**	**124**	**13 394**	**363 265**	**10 123**	**1 094**	**3 705 205**
Thereof receivables secured by real estate	–	–	*300 806*	–	*5 771*	*71 788*	–	–	*378 365*
Thereof receivables past due	–	–	–	–	–	–	–	–	–
Total 31.12.2022	1 324 528	673 141	197 576	107 177	13 442	291 340	14 036	1 317	2 622 557

Publication requirements related to interest rate risk in the banking book

Interest rate risk: Objectives and guidelines for the management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) is the potential risk to a bank's capital and to its earnings, arising from the impact of adverse movements in interest rates on its banking book.

Changes in interest rates can affect the economic value of equity (EVE) as well as the bank's earnings by increasing or decreasing the net interest income (NII) and the level of other interest rate-sensitive income and operating expenses.

The Group measures the vulnerability to loss under stressful market conditions and defines at Group level the risk appetite for interest rate risk in the Banking book by fixing limits articulated in terms of risk to both economic value and earnings. These limits are expressed as:

- Sensitivity of economic value (equity effect)
- Net interest margin sensitiveness on a rolling 12-month period (earnings effect)

The Board of Directors decides on the Group's risk management and risk strategy principles, which include interest rate risk in the bank portfolio (IRRBB). The General Management is responsible for the organization and operation of the management of the IRRBB.

Based on the principles written in FINMA circular 2019/02 the interest rate risk is measured quarterly using:

- Indicators to monitor the changes in economic value of Banking book (present value of equity and the sensitiveness of the present value of equity to a parallel change of +/- 100 basis points in the yield curves of different currencies for a one year time horizon).
- Indicators to monitor the changes in earnings (sensitiveness of the net interest margin to a parallel move up and down of 100 basis points in the yield curves of different currencies).
- Gap maturities analysis, identifying the gap risk resulting form the term structure of interest rate sensitive instruments that arises from differences in the timing of their rate changes.

Publication requirements related to interest rate risk in the banking book

Interest rate risk: quantitative information on the exposure's structure and interest rate fixing date

(in 1'000 CHF)	Volume			Average interest rate reset period (in years)	
	Total	**Of which in CHF**	**Of which in other significant currencies ***	**Total**	**Of which in CHF**
Defined interest rate reset date					
Amounts due from banks	–	–	–	0,00	0,00
Amounts due from customers	626 270	174 502	418 036	0,20	0,32
Fixed-rate mortgages	488 321	143 962	215 882	0,23	0,26
Financial investments	2 266 848	79 657	2 139 462	0,22	0,26
Receivables from interest-rate derivatives	121 859	–	95 953	0,04	0,00
Amount due in respect of customer deposits	-1 724 900	-59 239	-1 566 632	0,13	0,05
Payables to interest-rate derivatives	-121 231	-3 481	–	0,04	0,18
Undefined interest rate reset date					
Amounts due from banks	184 496	12 014	124 192	–	–
Amounts due from customers	445 705	139 535	279 694	–	–
Payables on demand from personal accounts and current accounts	-2 359 977	-650 587	-1 625 237	–	–
Other payables on demand	-73 874	-3 095	-59 240	–	–
Total	**-146 483**	**-166 732**	**22 110**		

** significant currencies that make up more than 10% of assets or liabilities of total assets*

Publication requirements related to interest rate risk in the banking book

Interest rate risk: quantitative information on economic value and net interest income

(in 1'000 CHF)	Δ EVE (change in economic value of equity)		Δ NII (change in net interest income)	
	31.12.2023	31.12.2022	**31.12.2023**	31.12.2022
Parallel up	-9 896	-8 897	39 485	41 489
Parallel down	9 987	8 965	-23 816	-24 102
Steepener *(1)*	6 978	6 564		
Flattener *(2)*	-8 873	-8 299		
Short rate up	-11 586	-10 762		
Short rate down	11 698	10 854		
Maximum	-11 586	-10 762	-23 816	-24 102
	31.12.2023	31.12.2022		
Tier 1 capital	350 575	267 710		

(1) *Lower short-term rates combined with higher long-term rates.*
(2) *Short-term rate increases combined with lower long-term rates.*

The Group's banking book interest rate risk exposure is significantly below the threshold of 15% of eligible capital (Tier 1) used by regulators to identify a potentially unduly high interest rate risk.

Operational risks

Strategy and procedures

Operational risk exposure results from exercising the Group's businesses and is not actively sought.

Operational risk management aims to assess and control operational risk factors by identifying areas for improvement and strengthening operational and managerial control systems. In particular, the Group aims to reduce its risk of exposure to:

- inappropriate or malicious conduct of employees, service providers, banking counterparties, clients or other external stakeholders;
- inadequate features of IT systems (applications, interfaces and hardware) or other communication systems (telephone, fax and email);
- inappropriate infrastructure;
- an organizational structure that is inadequate in relation to its activities;
- external incidents such as those deriving from the risk of natural disaster.

Risk assessment

The Group identifies and classifies risks and events liable to disrupt the smooth implementation of each of its processes and result in financial loss and/or damage to its reputation.

The identification process is based on an analysis of human and organizational factors, as well as those linked to the failure of computer systems or external incidents that may be the cause of the occurrence of events generating operational losses for the Group.

As controlling entity, Risk Control carries out regular reviews to identify operational risks, risk mitigation measures and the associated controls. These reviews are carried out as part of the annual analysis of the main risks and the review of the operational internal control system.

The Group determines its capital requirements for operational risks in accordance with the standard approach, which is based on an allocation of gross banking revenues defined by the Group to the segments of activity established by the regulator.

Structure and organisation

General Management is responsible for devising the policy for managing operational risks and for defining and implementing the measures needed to ensure compliance with the Group’s risk appetite and tolerance. General Management is assisted in the performance of its tasks by the Risk Control department.

Internal control system (ICS)

Monitoring of compliance with the limits established and of operational risks is carried out by the Group’s designated department/division managers (first-level controls), the Risk Control and Compliance functions (second-level controls) and Internal Audit (third-level control).

Risk Control reports on this subject to General Management, which ensures that controls exist for each risk, based on the assessment of the risk.

Creativity within Excellence

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